

Work Opportunity Tax Credits in Idaho

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IDAHO EMPLOYERS CAN REDUCE THEIR FEDERAL TAX LIABILITY

Two federal tax credit incentives encourage employers to hire job seekers most in need of on-the-job experience, the Work Opportunity Tax Credit (WOTC) and the Welfare-to-Work Tax Credit (W2WTC).

The WOTC and the W2WTC are designed to help job seekers most in need of employment gain on-the-job experience and move towards economic self-sufficiency. This employer tax incentive is aimed at helping American workers and increasing American productivity and economic growth.

WHAT IS THE WORK OPPORTUNITY TAX CREDIT?

The Work Opportunity Tax Credit (WOTC) is a federal income tax credit that encourages employers to hire six groups of job seekers. The WOTC can reduce employer federal tax liability by as much as \$2,400 per new hire.

WHAT NEW HIRES CAN QUALIFY EMPLOYERS FOR WOTC?

- Employers choose qualified new hires from one of six WOTC groups. There is no limit on the number of new hires!
- Welfare recipients -- members of a family that received cash welfare payments for a total of at least nine of the 18 months before date of hire (the nine months do not have to be consecutive months),
- 18-24 year-old food stamp recipients -- members of a family that received food stamps for at least six consecutive months before date of hire,
- Veterans who are members of a family that received food stamps for at least three consecutive months during the 15 months before date of hire,
- Vocational rehabilitation referrals served by an approved state agency or the US Dept of Veteran Affairs -- disabled persons who are completing, or have completed within the two years before hire, rehabilitative services under an employment plan approved by a state agency or the U.S. Department of Veteran Affairs,

- Ex-felons who are members of a low-income family, and whose date of conviction or release is not more than 1 year prior to date of hire, and
- SSI recipients -- individuals who received Supplemental Security Income benefits for any month during the 60 days before date of hire

The WOTC credit for new hires employed 400 or more hours is 40% of qualified wages for the first year of employment; and the credit for new hires employed 120 to 400 hours is 25%. Qualified wages are capped at \$6,000 for all WOTC target groups. To be eligible, you must mail the required forms within 21 days of the employment start date.

WHAT IS THE WELFARE-TO-WORK TAX CREDIT?

The Welfare-to-Work Tax Credit is a federal income tax credit that encourages employers to hire long-term welfare recipients. This tax credit can reduce employer federal tax liability by as much as \$8,500 per new hire. The Welfare-to-Work tax credit is administered under the Work Opportunity Tax Credit (WOTC) certification procedures and use the same forms.

WHAT GROUPS OF NEW HIRES QUALIFY EMPLOYERS FOR THE W2WTC?

The new hires must be long-term welfare recipients, or members of a family that received cash welfare payments for at least the 18 consecutive months before date of hire.

The Welfare-to-Work Tax Credit for new hires employed 400 or more hours or 180 days is 35% of qualified wages for the first year of employment and 50% for the second year. Qualified wages are capped at \$10,000 per annum; they include tax-exempt amounts received under accident or health plans as well as educational assistance and dependent assistance programs. Timeliness is a critical factor in determining eligibility for this tax credit as well.

For detailed information or access to tax credit forms, visit our website at www.labor.state.id.us/ui/wotcindx.htm or call (208) 334-6270. Email us at wotc@labor.state.id.us.